



Get It Together: Organize Your Financial Records

If you want to stay in good financial shape, keeping financial records organized is a *must*. You can pay lots of money to hire a professional; or you can learn a few simple steps to de-clutter your system, organize your files, and create basic documents that help you get—and stay—in control of your finances. Don't get intimidated or get bogged down by trying to get organized all at once—many of the suggestions in this seminar will take time to implement.

There are benefits of getting organized. You have more time, energy and space. You can find papers and receipts more quickly. When you're organized you reduce and/or eliminate paying a bill late fee because a statement got lost in a pile of papers. When you get organized you have a more clutter-free lifestyle.

After reading and watching news accounts about hurricane victims, have you thought about getting your records organized in case you had to evacuate your home quickly? Are your records prepared in case of a natural disaster? It's important to have a plan to find key documents in case of a disaster. It's also important to have papers organized in case something happens to you so your loved ones can pick up the financial pieces. When you get organized you gain improved peace of mind.

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There are costs to not getting organized. Have you missed out on rebates because you couldn't find the required receipt and rebate form? Have you ever forfeited unused funds from a flexible spending account because you forgot to keep receipts for eligible expenses? To help identify flex-friendly products, check with your employer's plan, ask your drugstore chain, or visit flex-plan.com/elgexpenhc.aspx. Does your file cabinet and/or desktop look disorderly?

Disorganization zaps energy, wastes time and money, creates tax-time pressures and increases overall stress.

Why do some record-keeping systems fail? The best way to make your organizational system work is to include everything pertinent to your financial records. Make sure your system is easy for you to follow and don't change your system midstream—unless it's not working for you. Make sure your system isn't too comprehensive or complicated or you aren't consistent with your record keeping.

Preparation is important to the success of your system. Gather all the materials you think you'll need. They don't have to be expensive or fancy; in fact, most organizational tools don't cost much at all. You could simply use shoe boxes if that will help you keep important receipts organized. Many people use common materials from around the house supplemented with file folders and a shredder. **Suggested organizing tools include:** envelopes, budget or bill organizers, shredder, file folders, hanging files, file cabinet and a fireproof and preferably waterproof safe. You may also need spreadsheets, budget pages, computer software, if desired, and additional storage containers or boxes.

There is no one "right" or "wrong" way to organize your files. It's entirely up to you based on what works as well as the kinds of transactions you make and policies you have.

File guide examples for major categories include: auto, correspondence, credit cards, credit union accounts, bank accounts, employment, health, housing insurance, investments, tax, warranties and owner's manuals. For additional ideas on file headings, you can search the Web.

If you wish to divide major categories into subcategories, here are further examples:

- Credit union accounts: checking, savings, loan contracts, safe deposit box contents
- Employment: pay stubs, fringe benefits, flex-spending
- Insurance: auto, health, disability, homeowners/renters, life, long-term care, other
- Investments: records of retirement/pension plans, annuities, bonds, certificates, stocks, real estate, other.

Develop an efficient bill-pay system. Does your current bill-pay system increase your stress level? When you cut in half your time that you spend paying bills you also can reduce your stress. When you pay bills do you have to go to one room for envelopes, someplace else for stamps, statements, invoices?

Decide on a consistent time and place to pay bills. Gather and keep all bill-pay materials (envelopes, stamps, return address labels, calculator, and so on) in one place. Organize and record expenses regularly. Suggested tools could include: envelopes, boxes for receipts, spreadsheets, account books, Quicken, Microsoft Money or other personal finance software. If you use financial software, make sure you enter data regularly—at least weekly. Remember that the reports that you generate are only as good as the data that you enter. Remember to back up disks and update computer security systems frequently. Keep a copy of the disk in a fireproof and waterproof box at home and keep a copy of end-of-year disks in a safe deposit box.

Balance checkbooks at least monthly or check accounts regularly online for suspicious or fraudulent activity. If you see something incorrect contact your financial institution immediately.

Organizational tips to help eliminate paperwork. Touch it once! Deal with it, file it or shred it. File regularly. Color-coded files may help.

Reduce unwanted credit card solicitations at Optoutprescreen.com or call 888-5opt-out. The site is the official Consumer Credit Reporting Industry website to accept and process requests from consumers to Opt-In or Opt-Out of firm offers of credit or insurance. Another way to reduce junk mail is to register your name with the Direct Marketing Association. Go to dmachoice.org for more information on how to remove your name from US and e-mail lists. The site also has information on how to remove deceased individuals' names from marketing lists.

Reduce unwanted catalogs that clog your mailbox for free at catalogchoice.org. You can decline catalogs or sign up to receive only the ones that you want. It helps reduce mail-clutter and time you spend sifting through unwanted mail.

Make sure bills are paid on time. Put bills to be paid first at the top of your stack. Mail bills 7-9 days before the due date; pay bills electronically 2-5 days before the due date; or pay by the suggested pay-date on the computer home banking system.

More organizational tips to help:

- Use direct deposit and/or payroll deduction.
- Keep all tax records in one place. At the beginning of each year, set up files for tax records and deductible expenses: charitable contributions, health care expenses, child care expenses, 1099s, and so on. When tax-time rolls around, you'll have everything you need right at your fingertips.
- Read disclosures and then toss. Credit card issuers can change the terms and conditions of their card agreements any time as long as they notify you in advance. Read all statement inserts before tossing them in the wastebasket. There's no need to keep inserts unless they reflect an important change.
- Review all bills for accuracy. If there is a discrepancy call the applicable company immediately.
- Use online banking, bill-pay, Automated Clearing House (ACH)

Benefits of online banking includes the ability to conduct your financial affairs any time of the day or night. This puts you in control, reduces the likelihood of late payment charges, helps you catch fraudulent activity quickly and helps you stay organized. Online banking reduces paperwork. You can check account balances and view financial statements; move money between accounts; and download account information 24 hours a day, seven days a week.

Computer safety: Make sure that you have adequate protections on your computer by installing and keeping personal firewall and antivirus software updated. Antivirus software identifies infected e-mail attachments and other virus carriers before they have a chance to damage your computer. Visit <http://www.onguardonline.gov/> for practical tips from the federal government and the technology industry to help you guard against Internet fraud, secure your computer and protect your personal information.

Change online banking passwords frequently. Don't use common information such as birthdays, addresses or your mother's maiden name as your password. Use a combination of numbers and upper and lower case letters.

Make sure the Web pages that you access after you log in with your password have "https" at the beginning of the address at the top of every page. Check for a padlock on the browser frame, not within the page you are viewing.

Benefits of automatic bill-pay: You can set up regular payments and make payments to creditors on time every month. You can make payments on the date that you select. When you sign up for automatic bill-pay, you select the automatic withdrawal date from the qualifying period. Your monthly bill states the bill amount and the payment withdrawal date from your account. Automatic bill pay helps you avoid late or missed payments and saves time, postage costs and check-writing.

What to keep and for how long: The word is to de-clutter! Don't keep records longer than necessary. Many people keep records too long or can't find what they keep. Each day the typical family receives five to 10 important items related to school, finances, social events, or work, according to Jack Gillis, public affairs director for the Consumer Federation of America. That easily translates into 50 items a week or 2,500 items a year. As Gillis says, while businesses are moving into more paper-free environments, we're still inundated with paper at home and overwhelmed with the need to keep track of everything.

Before you send all your documents through a crosscut paper shredder or file them in your pile of bills and other records, know what to keep and what to throw away. Take a look at the *What to Keep and for How Long* list in this handout for guidance.

While it's important to keep these documents, it's just as important to keep them in the right place. A countertop organizer is one way to start filing your papers. Once your countertop organizer starts to get full or even before it does, you can move items to more permanent storage, such as a filing cabinet or safe deposit box.

Store anything you need to keep permanently in either a fireproof and waterproof safe or safe deposit box. Keep marriage records, divorce papers, car titles, and birth certificates in a safe deposit box. Experts suggest you not carry the key to your safe deposit box with you—keep one in the house and one with a relative, close friend or attorney.

What to Keep and for How Long

Credit card receipts and statements: Keep receipts until your monthly statement arrives; if that's correct, shred the receipts. Exceptions: Keep a receipt if you're disputing a bill or to cover a warranty or return period. Keep the statements for seven years if they contain tax-related expenses.

Pay check stubs: Make sure the information on your paycheck stubs matches your annual W-2 when you receive it, then shred the stubs. If your employer lists vacation/sick leave carryover on your paycheck stub, keep the last one of the year. Notify your employer if the information doesn't match.

Retirement and/or savings plan statements: Keep quarterly statements until you receive your annual summary; if everything is correct on the annual summary, shred the quarterlies. It's best to hold on to annual statements until you retire or close the account. Keep important notices and contacts for retirement plans and pensions permanently.*

Credit union records: At the end of each year, go through your share draft carbons or statements and only keep those related to taxes, business expenses, and housing or mortgage payments.*

Bills: Keep bills for major purchases — cars, jewelry, furniture, computers, and so on—to show proof of their value in the event of loss or damage. For other bills, once you know payment has cleared your credit union for a particular bill and the return/refund period has expired, shred that bill.*

House records: Keep purchase price information and the cost of permanent improvements to your property, such as remodeling. Also, if you buy or sell property, keep records of legal fees and your real estate agent's commission for six years after you sell your house. Keeping these records, especially home improvement records, is a good idea and could potentially assist you in lower capital gains tax should you decide to sell.*

Tax records: The IRS has three years to audit your return and you have three years to file an amended return to claim a refund if you made a mistake. If you made a mistake of underreporting your gross income by 25% or more on a return the IRS has six years to challenge it. If you filed a fraudulent return or didn't file one at all, the IRS can catch you on it at any time. Keep a copy of all 1040 tax forms permanently.*

IRA contributions: Keep nondeductible contribution records permanently in case you need to prove that you paid tax on money when you want to withdraw it.

Miscellaneous: Also keep these permanently: Updated household inventory, birth and death certificates, marriage licenses, divorce papers, military records, insurance claims, accident reports and claims, proof of ownership and major debt repayment, and legal correspondence.

** Some cases call for longer restrictions. Check with applicable professional advisor.*

Special circumstances: Knowing where important documents are—such as birth certificates, financial records, marriage licenses, and household inventory—is necessary in case of a flood, tornado, or fire. Make sure these documents are easy to get hold of in case of need to evacuate your home suddenly.

And plan for the possibility that your family may not be together when disaster strikes. How will you contact one another? Have you asked about emergency plans at work, at the daycare, and at your child's school?

Not sure where to start? Visit *Ready.gov* for checklists, brochures, how to make a plan, and check out information targeted to seniors, people with disabilities and pet owners. *Fema.gov* also has useful information.

Start with important documents. Keep *copies* of these financial documents handy—and in a waterproof container—in case you need to leave your house quickly.

- Family records
- Medical records
- Wills
- Deeds
- Social Security Number
- Credit union, bank & credit card account numbers
- Tax records
- Medical insurance and medical cards

Make sure that a family member or friend—living some distance from you—has copies of these documents, and include the names and contact information of your support network and medical providers.

Keep your important documents safe and check the “What to Keep and What to Throw Away List” in this handout to figure out what to keep and what to throw away. If you're still not sure or have questions about what you should or shouldn't keep, ask your credit union for guidance.

Financial documents provide an overall picture of your finances and they should be part of your newly organized financial record keeping system.

Cash-flow statements track money coming in and going out. Statements show where your money went last year. The two columns—income and expenses—must be equal. If income is greater than expenses, you need to save more. If expenses are greater than income, you need to reduce expenses or increase income. Savings should always be an expense category. The ideal time period for the worksheet is January 1 through December 31 of each year.

Net-worth statements show assets minus liabilities (what you own, minus what you owe). Lenders may use it to determine whether you can afford to pay back loans. Annually update this statement approximately December 31.

Personal property inventory provides evidence of ownership and helps determine insurance coverage needed. Store lists, DVD/videotape, and/or photographs in a safe deposit box.

Think about losing all of your possessions. Without a compiled list how would you convince your insurance agent that you just purchased a big-screen TV? Would you be able to prove that you had heirlooms or antiques throughout your house? Following a disaster, could you remember pieces of jewelry that you own and their approximate value? Use lists, photos and/or DVD/videos. Document and take photos of everything of value in each room—including furniture, clothing, jewelry, electronics, appliances, tools, and so on. Document estimated value and history. Attach copies of receipts for more valuable items. The insurance claim process can be much smoother—and you'll likely get a higher settlement—with adequate documentation and proof in the form of lists, photographs, videotape and receipts.

Estate-planning documents consist generally of a will, living will, financial durable power of attorney and health-care durable power of attorney.

Financial notebooks are a gift to a loved one to help them figure out your financial affairs if you're seriously injured or die. Tell them where you keep it and keep a copy in a fireproof and preferably also waterproof safe at home. An organized and up-to-date financial notebook with all of your important financial information in it is a "gift" to yourself and your family. This can provide peace of mind. The notebook is a blueprint of your finances and a road map for your loved ones. If you are ever faced with leaving your home quickly, you can grab your financial notebook!

Disaster-proof important papers: It's important to plan ahead in case you have only a few minutes to clear out of your house. Many victims of natural disasters are unprepared for the consequences of losing everything—including their financial records. Disaster-preparedness experts urge that you plan ahead, just in case, and take some simple steps that may help you get back on your feet more quickly if a hurricane, tornado, fire or flood disrupts our lives.

Identify a single location for crucial papers and backup disks in a fireproof and waterproof safe or safe deposit box. Have certified copies of birth certificates to provide to government agencies if needed. Put papers in plastic covers and tell others where the papers are located.

Knowing where to keep documents is as important as knowing what to keep.

See "Where to Keep Financial Records" in this handout for help.

- Home active file
- Carry with you
- Home permanent records
- Home inactive file—long term storage
- Safe deposit box or fireproof and waterproof safe

What to shred: Always shred documents that contain personal information before discarding them. Refer to *What to Keep and What to Throw Away* in this handout to determine when it is safe to discard documents.

- Statements (credit, retail, gas cards) after payments are credited. Keep only for warranty or insurance purposes.
- Cancelled checks—after balancing statement. Keep checks that document tax deduction.
- Monthly money market statements—after getting annual summary or 1099.
- Credit card offers

Checklist: Are you ready?

Use this checklist to see if you're ready to get your personal financial records organized:

- ☐ I know why my current system needs improving.
- ☐ I know how to reduce junk mail.
- ☐ I know how to set up and simplify my files.
- ☐ I know what records to keep or shred.
- ☐ I know where—and how long—to keep records.
- ☐ I plan to create a financial notebook.
- ☐ I plan to take a personal property inventory.
- ☐ I plan to communicate my system to my family.
- ☐ I know where to get help.

Getting started:

- ☐ Set goals
- ☐ Develop an action plan
- ☐ Communicate plan to family

Note: This information is intended to assist you with financial decisions. The content does not consider your personal financial situation. We recommend that you seek professional advice of advisers fully aware of your individual circumstances before making final financial situations.